

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

THE HANOVER INSURANCE
COMPANY,

Plaintiff,

v.

INTREPID LAW GROUP, LLC, et
al.,

Defendants.

CASE NO. C20-0662JLR

ORDER GRANTING MOTIONS
TO STAY AND DENYING
MOTION FOR SUMMARY
JUDGMENT WITHOUT
PREJUDICE

I. INTRODUCTION

Before the court are three motions: (1) Plaintiff The Hanover Insurance Company's ("Hanover") motion for partial summary judgment (MSJ (Dkt. # 32)); (2) Defendants Tracy Takenaka and Brian Rounds's (collectively, "Takenaka/Rounds") motion to stay proceedings (MTS (Dkt. # 36)); and (3) Defendant Donald Woodard's motion to dismiss or stay (MTD (Dkt. # 41)). Defendants Takenaka/Rounds (TR MSJ Resp. (Dkt. # 45)); Mr. Woodard (Woodard MSJ Resp. (Dkt. # 48)); Thi Huynh and

Intrepid Law Group, LLC (“Intrepid”) (Intrepid MSJ Resp. (Dkt. # 44)); and Joseph Pham and 4200 Letitia, LLC (“Letitia”) (Letitia MSJ Resp. (Dkt. # 49)) oppose Hanover’s motion for summary judgment. Hanover opposes both Takenaka/Rounds’s motion to stay and Mr. Woodard’s motion to dismiss or stay. (Hanover Resp. (Dkt. # 50).¹) The court has considered the motions, the parties’ submissions in support of and in opposition to the motions, the relevant portions of the record, and the applicable law. Being fully advised,² the court GRANTS Takenaka/Rounds’s motion to stay, GRANTS IN PART Mr. Woodard’s motion to dismiss or stay, and STAYS this case pending the completion of state-law proceedings. The court DENIES Hanover’s motion for partial summary judgment without prejudice.

II. BACKGROUND

This matter is an insurance discovery dispute involving a professional liability policy (the “Policy”) issued by Hanover to Intrepid, whose sole member and licensed practicing attorney is Mr. Huynh. (*See* Am. Compl. (Dkt. # 11) ¶¶ 1.3, 3.49; Intrepid/Huynh Ans. (Dkt. # 29) ¶¶ 1.3, 3.49; Hesselgesser Decl. (Dkt. # 33) ¶ 16, Ex. O.) Intrepid and Mr. Huynh have been named as defendants or third-party defendants in

¹ The court granted the parties’ stipulated motion to set a briefing schedule for the parties’ motions. (1/15/21 Order (Dkt. # 40).) The court granted Hanover leave to file a single brief that encompasses (1) its response to Takenaka/Rounds’s motion to stay, (2) its response to Mr. Woodard’s motion to dismiss or stay, and (3) its reply in support of its motion for partial summary judgment. (*See id.*; *see* Hanover Resp.)

² Hanover and Takenaka/Rounds have requested oral argument on Hanover’s motion for partial summary judgment and Takenaka/Rounds’s motion to stay. (*See* MSJ at 1; MTS at 1; Hanover Resp.; TR MSJ Resp.) The court, however, finds oral argument would not be helpful to the disposition of the motions, and therefore declines to hold oral argument. *See* Local Rules W.D. Wash. LCR 7(b)(4).

1 four state-court matters that involve similar underlying facts and transactions. (*See* MSJ
2 at 1; Am. Compl. ¶¶ 3.1-3.49.) Hanover is defending Intrepid and Mr. Huynh in these
3 actions subject to a full reservation of rights. (*See* Am. Compl. ¶ 3.50.) Hanover alleges,
4 however, that the Policy provides no coverage for the underlying actions because Intrepid
5 and Mr. Huynh “have engaged in a pattern of soliciting investments either for personal
6 interest, for clients without the client’s consent, or for other business interests in which
7 [Mr.] Huynh has an ownership or managerial interest.” (MSJ at 1-2.)

8 Hanover now moves for partial summary judgment that it has no obligation to
9 defend or indemnify Intrepid and Mr. Huynh for two of the four disputes: (1) the
10 “Takenaka Action” filed by Takenaka/Rounds in Thurston County Superior Court (*see*
11 Hesselgesser Decl. ¶ 2, Ex. A (Compl., *Takenaka v. Huynh*, No. 20-2-01426-34
12 (Thurston Cty. Super. Apr. 21, 2020)) (“Takenaka Compl.”)); and (2) the “Woodard
13 Action”, in which Mr. Woodard joined Intrepid and Mr. Huynh as third-party defendants
14 in a case brought against him by Letitia in King County Superior Court (*see* Hesselgesser
15 Decl. ¶ 11, Ex. J (Am. Ans., *4200 Letitia, LLC v. Woodard*, No. 19-2-16275-9 SEA
16 (King Cty. Super. Dec. 18, 2019)), at 4-12 (“Woodard Compl.”)). (MSJ at 3.)

17 Takenaka/Rounds and Mr. Woodard contend that the court should exercise its discretion
18 under the Declaratory Judgment Act, 28 U.S.C. § 2201, to either dismiss this action or
19 stay it pending the completion of the state-law proceedings. (*See generally* MTS; MTD.)
20 They argue that maintaining Hanover’s action in this court will involve needless
21 determination of Washington state-law issues that are more appropriately decided in state
22 court. (*See generally* MTS; MTD.)

Below, the court recounts the background of the Takenaka Action and the Woodard Action and sets forth the procedural background of Hanover's action in this court.

A. Factual Background

1. The Takenaka Action

In September 2017, Matt Kaing, an insurance broker who advised Dr. Takenaka and Dr. Rounds about their professional disability and malpractice insurance, contacted Dr. Takenaka regarding an investment opportunity. (Takenaka Decl. (Dkt. # 37) ¶ 2; Takenaka Compl. ¶¶ 2.2-2.3.) Over the years, Mr. Kaing had learned about Dr. Takenaka and Dr. Rounds's financial circumstances, their dental practices' revenues, their personal net worth, and their retirement strategies and goals, and he had earned their trust. (Takenaka Decl. ¶ 2; Takenaka Compl. ¶ 2.2.) Mr. Kaing eventually offered Dr. Takenaka and Dr. Rounds two investment opportunities, both of which went sour.

a. Takenaka/Rounds's Loan to Letitia

The first investment presented by Mr. Kaing was an opportunity to make a "hard money loan" of \$50,000 to Letitia with repayment within 90 days. (Takenaka Decl. ¶ 4; Takenaka Compl. ¶ 2.4.) Mr. Kaing advised Dr. Takenaka and Dr. Rounds that the loan documents would be prepared by an attorney—Mr. Huynh—whom Mr. Kaing described as a "family friend and business associate." (Takenaka Decl. ¶ 4.) Soon thereafter, they received a loan summary document that stated, "Intrepid Law Group, LLC, will prepare [the] Note and Deed of Trust. They will be responsible for monitoring the refinance process to ensure funds will be paid back on time." (*Id.* ¶ 5; *see id.*, Ex. 1.)

1 Dr. Takenaka and Dr. Rounds then received from Mr. Huynh and Intrepid a
2 promissory note and deed of trust against real property “commonly known as 4200
3 Letitia Ave. S., Seattle, WA, 98118” in King County, Washington. (Takenaka Decl. ¶ 6;
4 *see id.*, Exs. 2-3; Takenaka Compl. ¶ 2.5, Exs. 1-2.) Letitia was designated as the Grantor
5 and Intrepid as the Trustee on the Deed of Trust. (Takenaka Decl. ¶ 6.; *see id.*, Ex. 3.;
6 Takenaka Compl. ¶ 2.5.) Dr. Takenaka and Dr. Rounds understood that Mr. Huynh and
7 Intrepid would protect their interests in the loan transaction. (Takenaka Decl. ¶ 6.)
8 Nevertheless, Mr. Huynh never informed Dr. Takenaka or Dr. Rounds that he was not
9 representing their interests; that there was any conflict of interest; or that they should seek
10 independent counsel with respect to the loan transaction. (*Id.* ¶ 7.)

11 Dr. Takenaka and Dr. Rounds gave Mr. Huynh a check for \$50,000, made out to
12 “Intrepid Law Group,” on September 25, 2017. (*Id.*) The terms of the promissory note
13 required repayment of the \$50,000, with interest, by no later than December 29, 2017.
14 (*Id.* ¶ 8, *see id.* Ex. 2; Takenaka Compl. ¶ 2.5.) At Mr. Huynh’s request, Dr. Takenaka
15 and Dr. Rounds agreed to extend the date of maturity to March 29, 2018. (Takenaka
16 Decl. ¶ 8; Takenaka Compl. ¶ 2.10.) When they did not receive payment, they asked Mr.
17 Huynh about the status of the payment, but received no substantive response. (Takenaka
18 Decl. ¶ 8.)

19 Dr. Takenaka and Dr. Rounds eventually learned that Mr. Huynh, as
20 representative of Intrepid, had executed a “Full Reconveyance of Deed” which released
21 the real property as security for the promissory note. (*Id.* ¶ 9; *see id.*, Ex. 5; Takenaka
22 Compl. ¶ 2.11.) The execution of the reconveyance was made without Dr. Takenaka’s

1 and Dr. Rounds’s knowledge, consent, or authorization, and they received no payment on
 2 the sums owed under the promissory note. (Takenaka Decl. ¶ 9; Takenaka Compl. ¶
 3 2.11.) To date, Dr. Takenaka and Dr. Rounds have received no payment on their loan,
 4 and they have since learned that the property that served as collateral for the loan has
 5 been sold. (Takenaka Decl. ¶ 9.)

6 *b. Takenaka/Rounds’s Investment in Green Sky*

7 After Dr. Takenaka and Dr. Rounds agreed to make the \$50,000 loan, Mr. Kaing
 8 arranged a meeting between himself, Dr. Takenaka, Dr. Rounds, and Mr. Huynh to
 9 discuss an opportunity to purchase an ownership interest in Green Sky Productions, LLC
 10 (“Green Sky”), which was formed to operate a licensed marijuana grow facility. (*Id.*
 11 ¶ 10; Takenaka Compl. ¶ 2.4.) On September 29, 2017, Mr. Kaing emailed to Dr.
 12 Takenaka and Dr. Rounds copies of an LLC Operating Agreement, an Assignment of
 13 Membership Interests form, and a document entitled “EXECUTIVE SUMMARY –
 14 DISTRICT 6 CANNABIS INDUSTRIAL PARK.” (Takenaka Decl ¶ 10; *see id.*, Ex. 6;
 15 Takenaka Compl. ¶¶ 2.5-2.6, Exs. 3-5.) The Executive Summary lists Mr. Huynh as
 16 CEO and Chief Legal Officer of Mondragon Cannabis Corp. (Takenaka Compl. Ex. 3.)
 17 The LLC Operating Agreement and Assignment of Membership Interests name Mr.
 18 Huynh as Manager of Green Sky. (*Id.* Exs. 4, 5.) Dr. Takenaka and Dr. Rounds state
 19 that they understood that Mr. Huynh and Intrepid would monitor and protect their best
 20 interests as their attorney, based on Intrepid’s role in their \$50,000 loan and the fact that
 21 Mr. Huynh had prepared the LLC documents. (Takenaka Decl. ¶ 11.) Mr. Huynh never
 22 advised them that he was not their attorney or that he was not representing their interests.

(*Id.*) He also never advised them to seek independent counsel with respect to the Green Sky transaction; never informed them of potential conflicts of interest; and never advised them of potential risks in making the investment. (*Id.* ¶ 12.) At Mr. Huynh's direction, Dr. Takenaka and Dr. Rounds wired a \$445,000 to Intrepid's IOLTA trust account. (*Id.*; Takenaka Compl. ¶ 2.8.) Dr. Takenaka and Dr. Rounds have since received nothing in return for their investment, nor have they ever received an accounting of sums disbursed from the IOLTA account or any explanation regarding the failure of their investment. (Takenaka Decl. ¶ 12; Takenaka Compl. ¶ 2.12.)

c. Takenaka/Rounds' Thurston County Action

On April 21, 2020, Dr. Takenaka and Dr. Rounds filed a complaint in Thurston County Superior Court against Mr. Huynh; Intrepid; Green Sky; Letitia; Mr. Kaing; and NW Alliance Insurance.³ (*See generally* Takenaka Compl.) Relevant to the instant motions, Dr. Takenaka and Dr. Rounds allege claims against Mr. Huynh, Intrepid, and Green Sky for violations of RCW 21.20.010 (relating to fraud in the solicitation of the sale of securities); breach of contract for failure to pay the returns promised in the Executive Summary; breach of fiduciary duty for executing the reconveyance without their knowledge or consent; violation of RCW 61.24.110 for executing the reconveyance without satisfaction of obligation or request; negligence for Mr. Huynh's failure to comport to the standard of care for attorneys in Washington State; misrepresentation; negligent misrepresentation; conversion; failure to provide an accounting; and violation

³ NW Alliance Insurance is Mr. Kaing's insurance brokerage. (*See* Takenaka Compl. ¶ 1.7.) The Takenaka Action does not include claims for insurance coverage. (*See generally id.*)

1 of the Washington Consumer Protection Act, ch. 19.86 RCW. (*Id.* ¶¶ 3.3-3.19, 3.27.)

2 Hanover is not a party to the Takenaka Action. (*See generally id.*)

3 2. The Woodard Action

4 In or about July 2017, Mr. Woodard’s neighbor and real estate agent, Thu Tran,
 5 approached him about a real estate investment opportunity. (Woodard Decl. (Dkt. # 42)
 6 ¶ 3; Woodard Compl. ¶ 2.) Ms. Tran told Mr. Woodard that the investment was “safe”
 7 because it was handled by an attorney, Mr. Huynh, who would prepare all of the
 8 paperwork. (Woodard Decl. ¶ 3.) Mr. Woodard met with Mr. Huynh, who stated that
 9 financing was needed for a real estate development project and showed Mr. Woodard
 10 sketches of the proposed development. (Woodard Compl. ¶ 7.) Mr. Woodard
 11 understood that Mr. Huynh represented Mr. Pham and his development group. (Woodard
 12 Decl. ¶ 3.) He also understood from Mr. Huynh that his investment was safe because it
 13 was secured by real estate. (*Id.*; *see also* Woodard Compl. ¶ 8.) Mr. Woodard invested
 14 \$200,000 in the project described by Mr. Huynh; Mr. Huynh received that money as
 15 escrow agent. (Woodard Compl. ¶¶ 10-11.) In exchange, Mr. Huynh gave Mr. Woodard
 16 signed and executed two promissory notes and a deed of trust. (*Id.* ¶ 12; *see id.*, Exs.
 17 1-3.) The larger of the two promissory notes was secured by real property “commonly
 18 known as 4200 Letitia Ave. S., Seattle, WA, 98118.” (*Id.* ¶ 12.b; *see id.* Ex. 2.)

19 Mr. Woodard thought that Mr. Huynh would protect him in the transaction with
 20 Mr. Pham because Mr. Huynh had explained that he and his law firm would safeguard
 21 Mr. Woodard’s money. (Woodard Decl. ¶ 5.) Mr. Huynh promised Mr. Woodard that he
 22 would “definitely” get his money back with interest. (*Id.*) Mr. Huynh, however, never

1 advised Mr. Woodard to consult another attorney about the transaction, nor did he inform
2 Mr. Woodard of any conflicts of interest he might have had in the transaction. (*Id.* ¶ 6.)

3 Mr. Woodard later hired Mr. Huynh as his lawyer to advise him on his estate
4 planning. (*Id.* ¶ 4.) Mr. Huynh assisted Mr. Woodard with preparing and executing a
5 will and a trust document. (*Id.*)

6 Mr. Pham never paid Mr. Woodard back for either of the two promissory notes.
7 (Woodard Decl. ¶ 8; Woodard Compl. ¶ 10.) Instead, on June 19, 2019, Letitia filed a
8 complaint to quiet title and for declaratory relief against Mr. Woodard in King County
9 Superior Court. (Woodard Decl. ¶ 8; Hesselgesser Decl. ¶ 10, Ex. I (Compl., 4200
10 *Letitia, LLC v. Woodard*, No. 19-2-16275-9 SEA (King Cty. Super. Jun. 19, 2019))
11 (“Letitia Compl.”).) On December 18, 2019, Mr. Woodard filed an amended answer,
12 affirmative defenses, counterclaims, and third-party complaint. (*See generally* Woodard
13 Compl.) In relevant part, Mr. Woodard named Mr. Huynh, Intrepid, and Mr. Pham as
14 third-party defendants. (*See id.* ¶¶ 1-3.) He alleged claims against Mr. Huynh and
15 Intrepid for breach of duty of care as an escrow agent, fraudulent inducement, negligent
16 misrepresentation, and conversion.⁴ (*See id.* ¶¶ 25-46.) Hanover is not a party to the
17 Woodward Action. (*See generally id.*)

18 **B. Procedural Background**

19 Hanover filed its complaint in this court on April 30, 2020, seeking a declaration
20 that it is under no duty to defend or indemnify Intrepid and Mr. Huynh in connection with

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22 ⁴ Mr. Woodard amended his answer and third-party complaint in January 2021 to add
additional third-party defendants. (Woodard Decl. ¶ 14, Ex. 4.)

four underlying state-court actions, including the Takenaka and Woodard Actions. (Compl. (Dkt. # 1).) It amended its complaint on July 8, 2020, to add allegations establishing this court's diversity jurisdiction over the matter. (Am. Compl.; *see also* OSC Resp. (Dkt. # 12).) Hanover does not allege a claim for damages. (*See generally* Am. Compl.) All Defendants answered the amended complaint; none filed counterclaims. (*See* TR Ans. (Dkt. # 17); Woodard Ans. (Dkt. # 19); Pham/Letitia Ans. (Dkt. # 22); Intrepid/Hyunh Ans.)

On November 29, 2020, Hanover filed its motion for partial summary judgment. (*See* MSJ.) Hanover then re-noted its motion twice. (*See* 11/11/20 Notice (Dkt. # 34); 11/24/20 Notice (Dkt. # 35).) On January 7, 2021, Takenaka/Rounds filed their motion to stay. (*See* MTS.) On January 15, 2021, the parties stipulated to a revised briefing schedule that would take into account Mr. Woodard's intent to file a motion to dismiss or stay and would allow Hanover to file a consolidated response to Takenaka/Rounds's and Mr. Woodard's motions. (Stip. Mot. (Dkt. # 39); *see* 1/15/21 Order.) Mr. Woodard filed his motion to dismiss or stay on January 21, 2021. (*See* MTD.)

III. ANALYSIS

Takenaka/Rounds move the court to stay this case pending the resolution of the Takenaka Action. (*See* MTS at 1.) Mr. Woodard asks the court to dismiss this action without prejudice or, in the alternative, to stay this case pending the resolution of the Woodard Action. (*See* MTD at 5-12.) Both motions urge the court to exercise its discretion to dismiss or stay this declaratory judgment action under *Brillhart v. Excess Insurance Co. of America*, 316 U.S. 491 (1942). (*See generally* MTS; MTD).

Under the *Brillhart* abstention doctrine, district courts have broad discretion to stay or dismiss actions seeking declaratory judgment. *Huth v. Hartford Ins. Co. of the Midwest*, 298 F.3d 800, 802 (9th Cir. 2002) (citing *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282-83 (1995); *Brillhart*, 316 U.S. at 494-95; *Gov’t Employees Ins. Co. v. Dizon*, 133 F.3d 1220, 1223 (9th Cir. 1998) (en banc)); *see also* 28 U.S.C. § 2201 (federal courts “may declare the rights and other legal relations of any interested party seeking such declaration” (emphasis added)). The *Brillhart* doctrine rests on concerns about judicial economy and cooperative federalism. *Brillhart*, 316 U.S. at 495. In light of these concerns, district courts consider three primary factors when evaluating whether to abstain from hearing a case under the *Brillhart* doctrine: “[1] avoiding ‘needless determination of state law issues’; [2] discouraging ‘forum shopping’; and [3] avoiding ‘duplicative litigation.’” *R.R. St. & Co. Inc. v. Transp. Ins. Co.*, 656 F.3d 966, 975 (9th Cir. 2011) (quoting *Dizon*, 133 F.3d at 1224). Even if the district court has subject matter jurisdiction over a declaratory judgment action, it is not required to exercise its authority to hear the case. *See Dizon*, 133 F.3d at 1223. The court considers each of the *Brillhart* factors in turn.

A. Needless Determination of State Law Issues

First, courts decline jurisdiction under the Declaratory Judgment Act in order to avoid needlessly determining state law issues. *R.R. St. & Co.*, 656 F.3d at 975. When the sole basis for federal jurisdiction is diversity of citizenship, “the federal interest is at its nadir and the *Brillhart* policy of avoiding unnecessary declarations of state law is especially strong.” *Cont’l Cas. Co. v. Robsac Indus.*, 947 F.2d 1367, 1371 (9th Cir.

1 1991) *overruled in part on other grounds by Dizol*, 133 F.3d at 1227.⁵ Thus, “[i]f there
 2 are parallel state proceedings involving the same issues and parties pending at the time
 3 the federal declaratory action is filed, there is a presumption that the entire suit should be
 4 heard in state court.” *Dizol*, 133 F.3d at 1225 (citing *Chamberlain v. Allstate Ins.*
 5 *Co.*, 931 F.2d 1361, 1366-67 (9th Cir. 1991)).

6 Here, the sole basis for federal jurisdiction is diversity, and there is no dispute that
 7 Washington state law provides the rule of decision in this insurance coverage case. (*See*
 8 MTS at 7-9; MTD at 8-10; Hanover Resp. at 10.) The parties, however, dispute whether
 9 the Takenaka and Woodard Actions are parallel state proceedings that raise the same
 10 legal issues that are before the court in this case.

11 The Ninth Circuit interprets “parallel actions” liberally. Underlying state actions
 12 need not involve the same parties nor the same issues to be considered parallel for
 13 purposes of the *Brillhart* analysis. *See, e.g., Emp’rs Reinsurance Corp. v. Karussos*, 65
 14 F.3d 796, 800 (9th Cir. 1995) (finding that state and federal actions were parallel when
 15 the actions raised overlapping, but not identical, factual issues and the insurer was not a
 16 party in the underlying state court action), *overruled in part on other grounds*
 17 *by Dizol*, 133 F.3d at 1227. Rather, “[i]t is enough that the state proceedings arise from
 18 the same factual circumstances.” *Golden Eagle Ins. Co. v. Travelers Cos.*, 103 F.3d 750,
 19 755 (9th Cir. 1996), *overruled in part on other grounds by Dizol*, 133 F.3d at 1227.

20
 21 ⁵ The *Dizol* court overruled multiple cases only to the extent they held “that a district
 22 court need not decide sua sponte whether jurisdiction under § 2201(a) should be declined, and
 that the appellate court need not decide sua sponte whether the district court abused its discretion
 in exercising discretionary jurisdiction.” *Huth*, 298 F.3d at 803 (citing *Dizol*, 133 F.3d at 1227.)

Here, both the state-law proceedings and this case arise from the same factual circumstances: the actions of Intrepid and Mr. Huynh with respect to the investments at issue in the Takenaka and Woodard Actions. Hanover contends that because its declaratory judgment action asks the court only to evaluate the complaints in the state-court actions to determine whether it has a duty to defend Intrepid and Mr. Huynh, there are no overlapping factual or legal issues that would tip the scales in this case toward abstention. (Hanover Resp. at 4-7.) Having reviewed the pleadings in the Takenaka and Woodard actions, however, the court concludes that there remain issues of fact regarding Intrepid's and Mr. Huynh's roles with respect to ownership or management of Letitia and Green Sky and Mr. Huynh's involvement in the alleged solicitations that are implicated in Hanover's motion for summary judgment. (*See, e.g.*, MSJ at 18-21 (discussing exclusions based on Mr. Huynh's role with respect to these entities).) These issues are best left to resolution in the state court proceedings. This court will be better equipped to evaluate Hanover's motion for summary judgment after the state courts have made factual findings in the cases before them. The court finds, therefore, that this factor favors abstention.⁶

B. Forum Shopping

Courts decline jurisdiction over actions for declaratory relief to discourage forum shopping. *R.R. St. & Co.*, 656 F.3d at 975. The Ninth Circuit has instructed that federal

⁶ Takenaka/Rounds argue that Hanover's duty to allocate under the Policy requires the court to stay this action. (*See* MTS at 9-12.) Because Hanover has not requested allocation in this action (*see generally* Am. Compl.; *see* Hanover Resp. at 7), the court concludes that the Policy's allocation provision is not implicated in the *Brillhart* analysis.

1 courts should generally decline to entertain reactive declaratory actions filed solely to
2 gain a tactical advantage. *Id.* at 976 (quoting *Cont'l Cas. Co.*, 947 F.2d at 1371-72).

3 Here, Hanover's action is not "reactive" because there is no underlying insurance
4 dispute pending in state court. Indeed, Mr. Woodard concedes that Hanover has not
5 engaged in forum shopping because diversity jurisdiction provides Hanover a basis to
6 bring this suit in federal court (MTD at 10), and Takenaka/Rounds do not address forum
7 shopping in their briefing (*see generally* MTS; MTS Reply (Dkt. # 51)). The court
8 concludes that this factor is neutral in the *Brillhart* analysis.

9 **C. Duplicative Litigation**

10 Third, courts decline jurisdiction over actions for declaratory relief in order to
11 avoid duplicative litigation. *R.R. St. & Co.*, 656 F.3d at 975. This factor is grounded in
12 concerns for judicial economy and operates to prevent "independent" and "unnecessary"
13 duplications of effort by state and federal courts. *Snodgrass v. Provident Life and Acc.*
14 *Ins. Co.*, 147 F.3d 1163, 1167-68 (9th Cir. 1998). The court agrees with Hanover to the
15 extent that it argues that this action seeks a determination of coverage, rather than a
16 decision regarding Intrepid's and Mr. Huynh's liability to Dr. Takenaka, Dr. Rounds, and
17 Mr. Woodard. As the court discussed above, however, the court's decision regarding
18 coverage depends on facts regarding Intrepid's and Mr. Huynh's ownership and
19 involvement in the subject entities—facts that are best left to the state courts for
20 determination. The court concludes that this factor favors *Brillhart* abstention.

D. Stay vs. Dismissal

In sum, the court finds that the first and third *Brillhart* factors favor abstention. Thus, the final issue left for the court is whether to dismiss this action or stay it pending the completion of the state court proceedings. *See Huth*, 298 F.3d at 802 (court has discretion to stay or dismiss). The court concludes that a stay is appropriate. The court agrees with Hanover that it is in the interest of judicial economy to consolidate the issues of coverage under the Policy in a single federal proceeding rather than dismiss this action (or portions of it) outright and force Hanover to re-file its claims in state court. (*See* Hanover Resp. at 12.) Accordingly, the court GRANTS Takenaka/Rounds' motion to stay and GRANTS IN PART Mr. Woodard's motion to dismiss or stay.

IV. CONCLUSION

For the foregoing reasons, the court orders as follows:

1. The court GRANTS Takenaka/Rounds's motion to stay (Dkt. # 36) and GRANTS IN PART Mr. Woodard's motion to dismiss or stay (Dkt. # 41). This case is STAYED pending the completion of state-court proceedings in the Takenaka Action and the Woodard Action;

2. The court DENIES Hanover's motion for summary judgment (Dkt. # 32) without prejudice to re-filing it when the court lifts the stay in this matter;

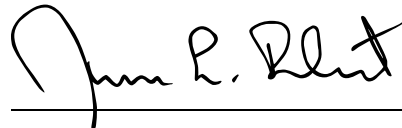
3. The parties are ORDERED to file joint status reports within ten days of (1) the resolution of the Takenaka Action and (2) the resolution of the Woodard Action; and

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1 4. The Clerk is DIRECTED to administratively close this matter pending
2 further order of the court.

3 Dated this 18th day of March, 2021.

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6 JAMES L. ROBART
7 United States District Judge
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